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INITIAL FINANCIAL COMMITMENTS, FINANCIAL FLOWS AND ARRANGEMENTS TO GIVE EFFECT TO THE DECISIONS OF THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT FROM ALL AVAILABLE FUNDING SOURCES AND MECHANISMS, INCLUDING THOSE REFERRED TO IN PARAGRAPH 33.14 OF AGENDA 21

Report of the Secretary-General

SUMMARY

The implementation of the sustainable development programmes of Agenda 21 will require the provision to developing countries of new and additional financial resources. In response to the request of the General Assembly in its resolution 47/191, the present report provides information on initial financial commitments, financial flows and arrangements to give effect to the decisions of the United Nations Conference on Environment and Development from all available funding sources and mechanisms.

The report analyses the agreement for the tenth replenishment of the International Development Association (IDA). It then turns to the Global Environment Facility (GEF) and discusses various issues related to its restructuring and the need for its replenishment. The report also addresses the matter of a number of recent developments with regard to the complex issue of enhancing the flow of official and private capital to developing countries. Recent developments with regard to debt relief are also discussed.

The report concludes with an assessment of the progress made so far with regard to funding for Agenda 21 and makes a number of suggestions related to the future work of the Commission on Sustainable Development in this important area.

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INTRODUCTION

1. The General Assembly, in its resolution 47/191, requested the Secretary-General, inter alia, to prepare, for the first substantive session of the Commission on Sustainable Development, reports containing information and proposals, as appropriate, on issues including initial financial commitments, financial flows and arrangements to give effect to the decisions of the United Nations Conference on Environment and Development from all available funding sources and mechanisms. The present report is submitted in response to that request.

2. Chapter 33 of Agenda 21 1/ had specified that funding for Agenda 21 and other outcomes of the Conference should be provided in a way that maximized the availability of new and additional resources and used all available funding sources and mechanisms, and had enumerated in that regard: (a) the multilateral development banks and funds, including the International Development Association (IDA), regional and subregional development banks, and the Global Environment Facility (GEF); (b) the relevant specialized agencies, other United Nations bodies and other international organizations; (c) multilateral institutions for capacity-building and technical cooperation; (d) bilateral assistance programmes; (e) debt relief; and (f) private funding (through non-governmental organizations). The chapter had also specified that investment should be encouraged and innovative financing explored. This report presents information on these funding mechanisms; however, information relevant to activities of specialized agencies, other United Nations bodies and multilateral institutions for capacity-building and technical cooperation is presented in other reports that are being submitted simultaneously. (See documents E/CN.17/1993/8 and E/CN.17/1993/10, as well as relevant parts of the report of the Governing Council of the United Nations Development Programme (UNDP) on its fortieth session.)

3. Regarding private funding, activities of the non-governmental organizations, investment and innovative financing specifically relevant for Agenda 21 objectives, the complexity of the issues and the lack of centralized sources of information did not permit systematic information collection. Regarding regional and subregional development banks, information received was insufficient for the purpose of analysis within this report.

I. TENTH REPLENISHMENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) 2/

4. By the end of June 1993, the resources made available to the International Development Association (IDA) during its ninth replenishment will have been committed. The process for the tenth replenishment concluded with the following agreement: to provide IDA, for the period from 1 July 1993 to 30 June 1996, with a tenth replenishment in the amount of SDR 13 billion (13 billion in special drawing rights). When combined with advance commitments against future repayments by IDA borrowers, this will permit a commitment authority of SDR 15.5 billion. This amount is likely to be further augmented by transfer from the net income of the International Bank for Reconstruction and Development

(IBRD) approved by the IBRD Board of Governors. The replenishment will enhance IDA's capacity to respond to Agenda 21.

5. For the coming period, it has been decided that IDA will continue its support to economic development in the poorest countries through a continued focus on poverty reduction, economic adjustment and growth, and environmental protection and improvement. These three areas are entirely consistent with the priorities of Agenda 21.

6. Regarding poverty reduction, country poverty assessments are to be prepared for all major IDA recipients by the end of 1994 with the involvement of Governments, and those assessments will be integrated into IDA's country assistance strategies and considered at consultative group and aid consortium meetings. In this context, social sector expenditures would be protected and social safety nets for those most vulnerable would be organized within the economic adjustment process, and IDA is encouraged to include specific poverty reduction measures in the design of adjustment programmes whenever feasible. Such poverty interventions are specially important in countries that are making the transition to a more market-oriented economy. IDA's poverty focus will be sharpened, with emphasis on social sector lending and poverty-targeted investments. Poverty reduction is to be monitored through the use of appropriate indicators and the results of poverty reduction policies are to be assessed. Special importance is to be given to the areas of women in development and population planning as keys to the effectiveness of poverty reduction programmes. Support for family planning and social services for women are to be expanded, including education for girls. Support to population programmes and family planning is to be further increased, as high rates of population growth represent a central challenge to the sustainability of development efforts, and limit the range of choices available to the population of the poorest countries.

7. Regarding economic adjustment and growth, the basic agenda is to combine policy reforms with institutional capacity-building, while, as noted above, building in social safety nets. Further emphasis is indicated on the reduction of non-development-related public expenditures, including military expenditures; the promotion of investments; the reduction of the constraint imposed by debt servicing on adjusting countries (through concessional treatment of official debt and use of the Debt Reduction Facility to fund the buyback of commercial debt); and the stimulation of private investment through increased infrastructure lending and assistance in developing supportive legal, regulatory and incentive frameworks, as well as on good governance in the implementation of sound economic policies.

8. Regarding environmental sustainability, policies and programmes for poverty reduction, mentioned above, constitute a first component of IDA's strategy. Policies, institution-building and investments targeted to environmental protection and improvement, which constitute the second component of the strategy, are being intensified through IDA's activities. Borrowers are being assisted in preparing environmental action plans (EAPs) through a participative process to promote national consensus around the plans: EAPs are to be integrated into the policy dialogue and country assistance strategies. Environmental assessments are being carried out early in the project design cycle, and borrowers are required to consult with groups and non-governmental

organizations affected by the environmental impact of the project. Efforts are being made to improve data sheets and make them more uniform. In the area of forestry, forestry investments are required to be part of a borrower's strategy for sustainable use and conservation of forest resources, and commercial logging in primary moist tropical forests is no longer funded. The focus is now on assistance to Governments for institution-building for sustainable forest management. New directives provide clearer guidance on projects involving indigenous people, involuntary resettlement and agricultural management, and policy papers are being issued regarding water resources, energy and various aspects of agriculture. The involvement of non-governmental organizations in the design and implementation of projects, particularly those with substantive environmental impact, is being substantially increased. The establishment of a small projects facility, to focus on environmental initiatives and on outreach to groups such as non-governmental organizations and micro-enterprises, is being envisaged.

9. In the implementation of the activities outlined above, the share of resources allocated to adjustment lending is not to exceed 30 per cent, so that the emphasis on poverty reduction and the protection of the natural resource base can be maintained. The importance of coordination of IDA activities with bilateral support and the International Monetary Fund's Enhanced Structural Adjustment Facility is stressed.

II. GLOBAL ENVIRONMENT FACILITY: RESTRUCTURING AND REPLENISHMENT 3/

10. The purpose of the Global Environment Facility (GEF) is to provide additional grant and concessional funding of the agreed incremental costs for achieving agreed global environmental benefits. It finances activities in four focal areas: global warming, biological diversity, ozone depletion and international waters. The first three areas are covered by international conventions.

11. The GEF was established for a three-year pilot phase by resolution No. 91-5 of IBRD (March 1991). Its establishment was subsequently endorsed by the Governing Councils of UNDP and the United Nations Environment Programme (UNEP) (May 1991). Operating procedures were agreed by the executive heads of these three bodies, known as the Implementing Agencies (October 1991).

12. During its pilot phase, the GEF has been functioning under the collective policy guidance of its Participants, namely States that have contributed to the Facility or expressed the intention to do so. At each of their regular meetings, GEF Participants review and broadly endorse successive "tranches" of a work programme prepared jointly by the Implementing Agencies and submitted to the meeting by its Chairman. In connection with this programme review, Participants may comment on specific projects in the work programme.

13. The GEF Participants are supported in their functions of policy guidance and programme review by a Scientific and Technical Advisory Panel (STAP), composed of 16 independent members. The STAP has drawn up criteria for eligibility and priorities for projects in the GEF work programme. The STAP also reviews individual projects submitted by the Implementing Agencies and

offers advice on the subject of their conformity with its criteria and priorities.

14. Projects in the GEF work programme remain the responsibility of the Implementing Agencies concerned. This responsibility is allocated according to an agreed division of labour by type of project. The three Agencies, together with the GEF Administrator, make up the Implementation Committee, which approves the inclusion of projects in the GEF work programme.

15. The Chairman of the GEF Participants' Meetings plays a key facilitating role in the GEF system, supported by the GEF Administrator and his staff.

16. The resources available to the three-year pilot phase of the GEF amounted to some US$ 880 million in the core fund and $350 million in bilateral financing arrangements, totalling US$ 1,230 million. An initial guideline was given by the GEF Participants concerning the allocation of core funds among the four focal areas. The GEF work programme, as it stood in December 1992 at the time of the submission of the fourth tranche of projects, contained 96 projects worth some US$ 700 million.

A. Restructuring of the GEF

17. Agenda 21, the United Nations Framework Convention on Climate Change (A/AC.237/18 (Part II/Add.1), the Convention on Biological Diversity and the document entitled "The pilot phase and beyond", agreed by the GEF Participants, all call for a restructuring of the GEF and recommend, regarding its governance, universal participation; a transparent and democratic system of decision-making; a broad, balanced and equitable representation of developing and developed countries in governance and guidance of the Facility; and a system guaranteeing a balanced and equitable representation of the interests of developing countries and giving due weight to the funding efforts of donor countries. The primacy of each Convention with respect to decisions on policy and programme priorities, eligibility criteria and guidelines for project formulation regarding activities in its respective area is recognized.

18. The process initiated by these policy orientations led to the formulation of comprehensive proposals that are to be discussed at the fifth Participants' Meeting, to be held in Beijing, China, from 26 to 28 June 1993.

19. At the centre of the proposals is both the goal of balancing the plurality of interests inherent in universal participation, and the need for giving due weight to donors' funding efforts, in a process that is transparent, balanced and equitable.

20. The main components of the restructuring concern:

(a) Establishment of a Participants Assembly (PA) and the modalities of its deliberations and decision-making;

(b) Formal links to be established between the Conferences of the Parties (COPs) of the Conventions, and the PA.

21. As in the past, subject to the outcome of the ongoing independent evaluation of the pilot phase, the work of the PA will be facilitated by a Chairperson supported by a secretariat composed of staff from all three Implementing Agencies. The PA will be assisted in its work by the advice of a Scientific and Technical Advisory Panel (STAP). The STAP will be restructured and reconstituted to broaden its cross-disciplinary capabilities. The heads of the Implementing Agencies will meet periodically to review institutional strategy and discuss means to facilitate inter-agency collaboration. The Implementation Committee (IC), consisting of agency coordinators and other senior staff, will continue to focus on internal policy, programme planning, and work programme formulation. Projects will be executed by Governments, agencies of the United Nations system, non-governmental organizations, the private sector, and partnerships among any of these parties.

22. The Participants' Assembly (PA) will act as the governing body of the GEF. It will be restructured to accommodate universal participation with no pre-set membership fee, and it will function under a constituency system aiming at efficient and effective deliberations. Decision-making in the PA will be primarily by consensus. An agreed voting system will be instituted in order to resolve issues on which consensus cannot be reached.

23. A number of principles have been agreed that are to guide PA decision-making, including:

(a) Equitable and balanced representation;

(b) Transparent procedures;

(c) Simplicity and flexibility;

(d) Universal participation.

24. The PA will be established on a constituency basis so as to facilitate deliberations. This will require agreement among groups of Participants. It is anticipated that some 30 constituencies will be formed. The following distribution is envisaged:

(a) At least 15 (50 per cent) of the constituencies would be represented by developing countries in the PA;

(b) The balance of representatives in the PA would be drawn from developed countries, countries with economies in transition, and other countries.

25. The following factors may be taken into account in identifying representatives of constituencies to participate in the PA on behalf of those constituencies:

(a) Regional and geographical balance as well as climate, biodiversity, resource endowment and economic structures;

(b) Potential impact on the global environment;

(c) Vulnerability to impacts of global change;

(d) Size of economies (gross domestic product) (GDP)) and level of funding made available to the GEF.

26. Participants' Assembly meetings in which all countries will be expected to attend are also being given consideration.

27. Decisions will, in principle, be taken by consensus. When consensus cannot be achieved, even after various actions that the GEF Chairperson may be authorized to pursue, it will be necessary to organize a vote.

28. Voting would be distinct from constituency membership. Regarding the voting system, in addition to options previously envisaged for the case in which no consensus emerged, a new option is proposed for the consideration of the last restructuring meeting, namely, a double majority system, whereby decisions would require both a majority of all countries participating in the GEF and one based on all financial contributions to the GEF core fund. The majority could differ depending upon the type of decision to be voted upon.

B. Replenishment of the GEF

29. Most of the funding made available to the GEF for its pilot phase is expected to be fully committed by June 1994. Potential donors agreed at a meeting held in Rome in March 1993 to work towards completing replenishment negotiations by December 1993, provided that the GEF is appropriately restructured and the evaluation of the pilot phase completed.

30. The first formal replenishment meeting was scheduled to take place in Beijing, China, on 25 May 1993. Important aspects of the replenishment have yet to be resolved, in particular its size and the period over which the resources will be used. The objective of the new GEF programme is in large part to serve the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity. There is therefore a need to coordinate its mandate and use of funds, with entry into force of the conventions of the COPs that are to decide on policies, programme priorities and eligibility criteria for financial mechanisms in relation to the conventions. The first meeting of the COPs is expected to occur in 1995.

31. A proposal submitted to the Beijing Participants' Meeting recommended that the new programme (GEF II) begin in July 1994 and that its operations be divided into two stages.

32. The first stage would be a transitional one, covering the period prior to the convening of the COPs some time in 1995. During this stage, GEF commitment levels would remain at around the average for the pilot phase. Some time after the conventions have entered into force, the GEF II would enter its second stage, when most of the funds would be committed. GEF operations would then be guided by the COPs. In terms of size, a range of SDR 2-3 billion, equivalent to US$ 2.8 billion-US$ 4.2 billion, is currently proposed for consideration by donors. The time-period would be three to five years, depending on whether the replenishment was closer to SDR 2 billion or SDR 3 billion.

33. Since the conventions will not yet be in force and the COPs will not yet have met, some flexibility will need to be built into the replenishment decisions to allow the GEF to respond to priorities as they are set by the conventions.

34. This phasing would allow the GEF to maintain the momentum of the pilot phase, while enabling the bulk of the funds from the replenishment to be committed only after the COPs entered into force. At the same time, it would allow for the preliminary preparation of projects and activities before the GEF entered its second stage. Preparation of technical assistance and investment projects must begin well before stage two, in light of the intensive 12- to 18-month project preparation period. The initial funding decisions in GEF II will be taken on projects that have been prepared during the pilot phase. Project preparation will take into account any guidance emanating from the interim bodies of the conventions during the first stage of GEF II.

35. GEF II resources would continue to support the four focal areas currently funded by the pilot phase: global warming, biodiversity, international waters, and ozone depletion. To the extent that they related to these four areas, land degradation issues, primarily those of desertification and deforestation, would be eligible for financing.

36. The replenishment of the GEF should enable it to:

(a) Support the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity, as well as, in a complementary role, the Montreal Protocol on Substances that Deplete the Ozone Layer;

(b) Assist in building up capacities of developing countries to deal with policy and programme matters arising out of those countries' commitment to the Conventions;

(c) Play a continuing role in facilitating the introduction of new environmentally sound technologies in the developing world;

(d) Achieve the scale and management capacity to contribute effectively to the solution of the global environmental problems that the GEF is assigned to address.

37. GEF II would finance four broad types of activities based on the objectives of the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change and the obligations deriving therefrom, as well as from lessons learned from the pilot phase; accepted knowledge and scientific expertise from UNEP and advisory panels about how to effectively address the four global environmental problems; and pending guidance from the COPs. These activities would include: capacity-building; national studies, strategies, and inventories; innovative projects; and investment projects. In addition, the Small Grants Programme could be used to support innovative approaches designed by local communities and non-governmental organizations.

38. Together, these four types of activities represent a comprehensive, efficient way to strengthen a country's capacity to develop and implement its strategy for meeting convention objectives. Some funds could also be allocated

for applying relevant, new scientific research to GEF activities, particularly to improve the scientific underpinnings of GEF project selection and design.

39. The mix of these activities could vary across the global objectives. The bulk of the funds could be expected to be used to support the objectives of climate change and biodiversity. For ozone layer protection, the GEF could fund capacity-building efforts and investments only in signatory countries that are ineligible for funding from the Interim Multilateral Fund for the Implementation of the Montreal Protocol. In the area of international waters, GEF II could provide some support to countries that are already committed, through existing global or regional agreements and initiatives, to improving management of this vital resource.

III. OFFICIAL AND PRIVATE CAPITAL FLOWS 4/

40. The adequacy of external capital flows is a major external factor affecting the development prospects of developing countries. Official flows are an important supplement to private capital flows.

41. Although estimates of the flow of official development assistance (ODA) in 1993 are not yet available, no sharp break in the trend of recent years is expected, at least not yet. Under that trend, the total value of ODA rose in dollar terms, reaching an estimated $60 billion in 1992. The amount fluctuated, however, in real terms.

42. Underlying this long-run trend has been a pattern of flows from donor countries in the 1980s that may now be changing. Under that pattern, ODA from member countries of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development grew by 2.4 per cent a year on average, while concessional economic assistance by Arab donor countries fell, followed by declining flows from the former centrally planned economies as well. The capacity of the latter two groups to provide ODA is now considered to be quite limited. Aid from Arab donors is expected to remain significant, but to decline further, while for the time being the economies in transition have a much-reduced capacity with respect to major aid programmes.

43. The outlook for the growth of aid from industrialized countries is bleak. The situation is one of constrained supply and increased demand for funds. The constraints on supply emanate from budgetary problems of a number of key donors and, to some extent, from weakening support for aid on the part of national parliaments. The increased demand for funds stems from new challenges that require concessional assistance to low-income countries, including expanded efforts to protect the environment. Moreover, there are several new claimants to concessional resources.

44. Despite this increased demand for ODA, many bilateral donors have cut back on their aid programmes in response to budgetary pressures. This has caused a further shortfall with respect to target ODA flows of 0.7 per cent of gross national product (GNP) re-endorsed at the United Nations Conference on Environment and Development. Amid current trends, there is no real prospect that the target will be reached in a reasonable period.

45. A number of Governments have indicated an increase in resources available within their ODA for activities relevant to sustainable development and environmental programmes. In this context, the decision by the European Community and its member States to commit an amount of $3 billion in European currency units (ECUs) for activities in implementation of Agenda 21 should be mentioned.

46. Private flows are crucial to the development efforts of middle-income countries and of growing importance in a number of low-income countries as well. There has been a large increase in flows of private capital to developing countries in recent years. At $37 billion in 1992, foreign direct investment flows to developing countries were about 75 per cent above the level of 1990. Private portfolio flows, which had averaged less than $6 billion a year in the period between 1982-1988, were estimated at $34 billion in 1992. It is interesting to note that private flows have changed, in terms of composition, from debt to equity financing and shifted from bank to non-bank sources in recent years. Non-bank sources have accounted for virtually all the recent growth in financial flows to developing countries.

47. These developments have benefited countries that are creditworthy. Some 10 countries received over 70 per cent of foreign direct investment flows in 1991, and the increase in private portfolio flows is highly concentrated in a few countries in Latin America and East Asia. Numerous middle-income and lower-middle-income countries find that their access to private external finance is limited.

IV. DEBT RELIEF

48. The debt crisis that began over a decade ago is no longer a problem for commercial banks, and developing-country debt no longer constitutes a systemic threat to the international banking system. The crisis is also less of a problem for several middle-income borrowers that have benefited from debt-restructuring operations and lower interest rates. Nevertheless, these countries remain vulnerable to adverse developments in their external economic environment. External viability remains a problem, however, for many low-income and lower-middle-income countries. The difficulties of moving from a centrally planned economy to a market-based one have also led to major debt problems in the successor States of the former Union of Soviet Socialist Republics and in some East European countries.

49. With regard to debt reduction, a number of recent developments are noteworthy, particularly the agreement of December 1992 between Argentina and its commercial banks, supported by World Bank loan commitments of $750 million, that will help achieve a commercial debt reduction in the amount of about $11 billion, which is 37 per cent of the face value of the eligible principal debt and the past interest due to the commercial banks. In another important development, the Philippines and its commercial-bank creditors arrived at an agreement in December 1992 on the second phase of the commercial-bank part of its overall external debt reduction strategy. About $4.4 billion was eliminated or converted. Equally significant was Brazil's agreement with its commercial-bank creditors. By March 1993, creditors representing 97 per cent of

Brazil's outstanding commercial bank debt had decided to participate in its debt-rescheduling programme.

50. In this context, it is important to note that the World Bank strategy dealing with countries with protracted arrears has been successfully implemented in the case of Peru. Three adjustment loans totalling $1.15 billion were signed in December 1992. Some $900 million were disbursed in March 1993 under these loans, after the Government cleared its arrears with the World Bank. The World Bank has now resumed its normal lending relationship with Peru.

51. Significant progress has also been made under Paris Club auspices with regard to a number of low-income countries, including agreements involving enhanced Toronto terms.

52. Operations within the IDA Debt Reduction Facility have increased sharply. They have been co-financed with a number of bilateral donors. Four operations totalling about $35 million have been completed with Guyana, Mozambique, the Niger and Uganda at an average cost of US$ 0.12 per dollar of debt. The operations have extinguished 89 per cent of the commercial debt of these countries.

53. A portion of IDA reflows has been used under the "fifth-dimension" programme to provide supplementary adjustment credits to countries that are currently IDA-only borrowers and have outstanding IBRD debt. Through annual allocations (in proportion to interest payments due to IBRD), the supplementary IDA credits have helped ease the debt-service burden of eligible IDA-only borrowers undertaking adjustment programmes. Between fiscal year 1989 and fiscal year 1992, some SDR 400 million were allocated for this purpose. For the current fiscal year supplementary IDA credits totalling SDR 121 million, or 70 per cent of interest payments due to IBRD from the beneficiary countries, have been approved. In addition, a number of bilateral donors are providing parallel financing in support of the fifth-dimension programme.

V. CONCLUSIONS AND RECOMMENDATIONS

54. There have been a number of individual positive developments regarding the funding of Agenda 21. These include the following:

(a) The replenishment of IDA, in spite of the lack of consensus on an "Earth increment", is substantial and will enable this institution to pursue the objectives of Agenda 21;

(b) The process of restructuring and replenishing the GEF is under way and, it is hoped, will be satisfactorily completed by the end of the year. An update after the forthcoming Beijing meeting will be provided to the Commission on Sustainable Development;

(c) The World Bank and regional banks are intensifying their activities in the area of sustainable development;

(d) Positive debt-relief agreements were concluded in a few cases;

(e) A number of bilateral donors have announced increases in funding available for environmental activities;

(f) The commitment of 3 billion ECUs for activities for the implementation of Agenda 21 constitutes a favourable step.

55. The general response so far observed to the recommendations of the United Nations Conference on Environment and Development regarding funding is, however, not encouraging, that is to say:

(a) Many bilateral donors have cut back on their aid programmes in response to budgetary pressures, causing a further shortfall with respect to target ODA flows of 0.7 per cent of GNP. This raises questions regarding the additionality of funds available for environmental programmes. The trend should be reversed as soon as possible;

(b) Many low-income and lower-middle-income countries still have an unsustainable debt burden and require urgent additional measures regarding debt relief. In particular, low-income countries need to benefit to an increased extent from enhanced Toronto terms;

(c) Further progress needs to be made to increase effectiveness in the use of funds and the mobilization of domestic financial resources;

(d) While a number of donors have committed resources for the UNDP initiative for sustainable development (Capacity 21), aggregate funds available to it remain well below requirements;

(e) Agencies within the United Nations system are being given increasing mandates, but the resources made available to them are stagnating and their budgets are constrained by a zero-growth rule that makes their functioning increasingly difficult.

56. The Commission on Sustainable Development has a number of functions that involve the review and monitoring of information to be provided by Governments as well as intergovernmental and non-governmental organizations regarding the implementation of Agenda 21, and the provision of funding for that purpose, as well as progress towards the target of 0.7 per cent of GNP of developed countries for ODA. The modalities for providing information to the Commission and the format in which information is to be provided are therefore of critical importance for the fulfilment of these functions.

57. The Commission may wish to consider this issue with a view to deciding on the modalities and format of communications of the above-mentioned entities. As a basis for discussion, it is suggested that the main elements of communications should include ODA as a percentage of GNP, debt relief, aid priorities, main activities related to sustainable development, and specific support to environmental conventions. (The addendum to this report presenting information provided by Governments is organized accordingly.)

58. The data systems used for collecting information on the flow of finance classify that flow in a manner that makes difficult its correlation with the programme structure of Agenda 21. The Commission could consider inviting

countries that provide finance, and coordinating organizations (like the Development Assistance Committee of OECD) that collect information, to redesign their classificatory schemes so as to make possible the assessment of the flow of development finance in relation to specific Agenda 21 clusters.

59. Discussions about the adequacy of the flow of development finance are often conducted without reference to any assessment of needs. Assessment at an overall macroeconomic level (for example, in relation to the 0.7 per cent target) is useful for monitoring purposes; but in order to influence the processes where specific commitments are made, it is necessary to conduct this exercise at a more disaggregated level. Country-level assessments of this nature are prepared for round-table meetings and meetings of aid consortia. Global or regional assessments, across countries for specific issues (for example, freshwater or forests), that evaluate availability of finance in relation to objectives are prepared in some cases mainly by funding organizations. The financial mechanisms linked to certain global conventions are issue-oriented, global in nature and involve a broader process that includes recipient countries in the dialogue.

60. The Commission on Sustainable Development may wish to consider the establishment of appropriate mechanisms to make agreed assessments of availability, need and related policy matters in relation to the financial requirements of the different parts of Agenda 21. Such agreed assessments at the issue level could guide the further discussions of the Commission and provide a suitable and common basis for further action by bilateral and multilateral funding organizations. They would provide a basis for discussion on replenishment of specific facilities, for setting of priorities for aid programmes and for monitoring of financial matters by the Commission on Sustainable Development. Specific pledges and commitments would continue to be made in the discussions between funding organizations and individual recipients.

61. One possibility that the Commission may wish to consider is the establishment of a series of ad hoc groups oriented around the Agenda 21 clusters approved for the work programme. Each group could consist of professional experts named partly by countries, and partly by international financial institutions and concerned specialized agencies. The groups should be compact and professional in their orientation. Their objective would be to prepare a report (separately for each of the clusters into which Agenda 21 has been grouped for the purposes of the work programme) on needs, adequacy of existing flows and mechanisms and related policy matters. It must of course be understood that the process of securing commitments for Agenda 21 activities would continue to operate in the normal way even while the ad hoc groups were in process.

Notes

1/ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992, vol. I, Resolutions adopted by the Conference (United Nations publication, Sales No. E.93.I.8), resolution 1, annex II.

2/ Information presented in this section was drawn from a report, approved by the Executive Directors of the World Bank, entitled "Additions to IDA resources: tenth replenishment".

3/ Information presented in this section was drawn from documents prepared by the GEF for the Participants' Meeting convened in Beijing, China, in May 1993. One was entitled "Decision-making in the restructured GEF" (GEF/PA.93/1); and the other, a GEF replenishment paper, was on financing needs for GEF II (GEF/RE.93/1).

4/ Information presented in this section was drawn from information provided by Governments; World Economic Survey, 1993 (United Nations publication, forthcoming); and the 1993 report of the Chairman of the World Bank to the Development Committee.